

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 USIA-06

PRS-01 /088 W

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R 230642Z FEB 75

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 3900

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMCONSUL DHAHREN

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E.O. 11652: GDS

TAGS: ENRG, ELTN, SA, JO, LE, US

SUBJECT: TAPLINE AND JORDAN

REF: BEIRUT 2217 AND PREVIOUS

1. EVENING FEBRUARY 19, EMBASSY HAD OPPORTUNITY FOR
INFORMAL DISCUSSION WITH SA-AD TEL (DIRECTOR ZERQA REFINERY)
AND SAID NABULSI, GOVERNOR OF CENTRAL BANK.

2. NABULSI INDICATED HE WOULD VISIT SAUDI ARABIA FOLLOWING
HIS RETURN FROM ARAB CENTRAL BANK GOVERNORS MEETING IN
BAGHDAD WHICH BEGINS FEBRUARY 22. HE EXPECTS TO HAVE A
LETTER FROM HUSSEIN TO FAISAL AND TO DEAL AS WELL WITH
TAHER OF PETROMIN (A SCHOOL CLASSMATE) AND YAMANI. JORDANIAN
APPROACH TO SAUDIS WILL BE TO SEEK ARRANGEMENT FOR FUTURE
WHICH WILL ALLOW FOR SAUDI SUBSIDY OF JORDAN PETROLEUM
PURCHASES. NABULSI SAYS HE BELIEVES SAUDIS HAVE ALREADY
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AGREED TO REBATE VERY LARGE AMOUNT FOR EGYPT'S FUTURE

PURCHASES. HE WILL SEEK AGREEMENT ON PRICE AT PIPELINE HEAD (WITHOUT SAUDI TAXES, PLUS PIPELINE TRANSPORT COSTS.)

3. AS A SECOND STAGE EFFORT, HE WILL THEN TRY TO GAIN SAUDI HELP IN CONTINUING DISPUTE WITH TAPLINE OVER PAST DELIVERIES. IF SAUDIS DO NOT HELP IN PAYMENT FOR PAST PURCHASES, OR IF THEY CANNOT ASSIST SUFFICIENTLY, HE WILL THEN TURN TO KUWAIT FUNDS TO COVER PAST DELIVERIES.

4. AS FOR WHAT JORDAN OWES, NABULSI RECALLED THAT BEFORE OIL PRICES BEGAN ZOOMING IN 1973, TAPLINE PAID JORDAN ABOUT \$7-8 MILLION ANNUALLY FOR OIL ROYALTIES ON OIL PUMPED THROUGH TAPLINE. JORDAN BOUGHT ABOUT \$10-11 MILLION IN OIL PER YEAR AT A PRICE OF ABOUT \$1.95 PER BBL. IN LATE 1973 JORDAN FINALLY WOKE UP (NABULSI SAID) TO TAPLINE/ARAMCO REBATING IN GULF WHICH REDUCED PRICE TO \$1.50 PER BBL FOR SOME PERIODS OF YEARS (5 OR 6) PRIOR TO 1973. NEGOTIATIONS FOR THIS REBATE GOT TIED UP IN NEGOTIATIONS FOR A NEW PRICE AS PRICES WENT UP THROUGH PERIOD ENDING IN NOVEMBER-DECEMBER 1973. JORDAN CLAIMS ROUGHLY \$7-8 MILLION FROM THESE REBATES. NABULSI SAID AT THE TIME JORDAN CLAIMED THESE FUNDS, TAPLINE, POSSIBLY BECAUSE JORDAN COULD NOT PAY CONSTANTLY INCREASING PRICES THROUGH LATE 1973, SHUT OFF PAYMENT OF ROYALTIES. DEADLOCK ENSUED, IN WHICH BECAUSE OF UNCONTROLLED AND UNPREDICTABLE INCREASES IN PRICES TAPLINE HAD NOT WANTED TO NEGOTIATE A FINAL PRICE ARRANGEMENT. NABULSI AND TEL BOTH SAID JORDAN OWES ABOUT \$60-75 MILLION FOR OIL DELIVERED TO IT IN 1973-74 BUT NOT YET PAID FOR. THIS FIGURE WOULD BE REDUCED TO ABOUT \$40-50 MILLION BY OFFSETS FOR REBATES AND ROYALTIES STILL NOT PAID BY TAPLINE.

5. NABULSI CONFIRMED THAT HE HAD DRAFTED LETTER FOR PRIME MINISTER RIFAI IN RESPONSE TO ONE RECEIVED FROM TAPLINE. IN ADDITION TO REPEATING JORDANIAN OFFER OF \$10 MILLION NOW AND NEGOTIATIONS WITHOUT PRECONDITIONS TO GO AHEAD IN RETURN FOR DELIVERY OF 2900 METRIC TONS OF OIL PER DAY AT ZERQA, NABULSI SAID TAPLINE WOULD BE HELD RESPONSIBLE FOR ALL DAMAGES TO JORDAN INCLUDING ITS DEFENSE INTERESTS BY FAILURE TO DELIVER OIL. LETTER ALSO QUOTES FROM TAPLINE CONTRACT A CLAUSE IN WHICH NABULSI SAYS TAPLINE PROMISES TO MEET JORDAN'S FULL NEED FOR CONFIDENTIAL

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CRUDE AND SAYS THIS IS BEING BREACHED AND THEREFORE JORDAN CONSIDERS ITS FULL ARRANGEMENT WITH TAPLINE SUBJECT TO NEGOTIATION. WE ASKED NABULSI IF JORDAN'S ORIGINAL REFUSAL TO PAY NEW OIL PRICES IN 1973 AND TAPLINE'S FAILURE TO PAY ROYALTIES DID NOT AMOUNT TO THE SAME THING AND HE AGREED.

6. NABULSI AWARE OF LEBANESE-TAPLINE PROBLEM AND HAS BEEN IN TOUCH WITH GOL. NEITHER SAID ANYTHING ABOUT SHUT DOWN OF LINE DELIVERIES

TO SIDON. TEL SAYS JORDAN IS NOW DRAWING DOWN STOCKS OF REFINED PRODUCT AND THAT IF HE DRAWS THEM ALL DOWN IT WILL TAKE 100 PLUS DAYS WITH PRESENT REFINERY TO BUILD THEM UP AT RATE OF 2900 TONS PER DAY. HOWEVER EXISTING BRANCH LINE TO REFINERY CAN HANDLE UP TO 3600 TONS PER DAY AND ROMANIA IS BUILDING NEW BRANCH LINE FOR PROPOSED REFINERY EXPANSION.

7. TAPLINE'S LOCAL MANAGER CALLED AT EMBASSY A FEW DAYS AGO TO MAKE SURE COMPANY'S POSITION UNDERSTOOD. HE OBSERVED TAPLINE-GOJ RELATIONS HAD ALWAYS BEEN AMIABLE, BUT THAT COMPANY WOULD NOT CONTINUE TO SUBSIDIZE JORDAN'S OIL SUPPLIES. HE ASKED THAT STOPPAGE OF DELIVERIES TO SIDON NOT BE DISCUSSED WITH GOJ UNTIL COMPANY INFORMS GOVERNMENT IN REPLY TO PRIME MINISTER'S LETTER. HE BELIEVES GOJ MAY CALL FOR ANOTHER MEETING WITH TAPLINE OFFICIALS AFTER COMPANY REPLY RECEIVED.

8. COMMENT: NABULSI IS A SENSITIVE AND SENSIBLE MAN. HE SAYS HE VIOLENTLY DISAGREED WITH PREVIOUS GOJ NEGOTIATOR'S TACTICS OF LETTING WHOLE BUSINESS LANGUISH UNATTENDED UNTIL RECENTLY. BOTH HE AND TEL STRESSED HIGH URGENCY OF AN AGREEMENT. END COMMENT.
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